

Message Text

CONFIDENTIAL

PAGE 01 TOKYO 11146 01 OF 02 260303Z
ACTION SS-25

INFO OCT-01 ISO-00 SSO-00 /026 W
-----074822 260314Z /73
R 260219Z JUL 77
FM AMEMBASSY TOKYO
TO SECSTATE WASHDC 9613

C O N F I D E N T I A L SECTION 1 OF 2 TOKYO 11146

EXDIS

EA ONLY FOR HEGINBOTHAM

E.O. 11652: GDS
TAGS: ETRD, JA
SUBJECT: SUBCABINET MEETINGS

REF: STATE 165879

1. THE SUBCABINET MEETINGS WILL OFFER THE FIRST OPPORTUNITY UNDER THE NEW ADMINISTRATION FOR A FULL SCALE BILATERAL REVIEW OF ECONOMIC POLICIES. THEY WILL TAKE PLACE JUST AFTER FUKUDA WILL HAVE MADE SOME MAJOR DECISIONS ON THE NEED FOR NEW ECONOMIC STIMULUS MEASURES. FALL DIET SESSION WILL BE GETTING UNDERWAY, OR WILL HAVE JUST GOTTEN UNDERWAY, POSSIBLY TO CONSIDER FURTHER STIMULUS. COMING AFTER A FULL YEAR OF FOREIGN CRITICISM OF JAPAN, THE TALKS WILL CERTAINLY COMMAND HIGH MEDIA AND PUBLIC ATTENTION.

2. THE EMBASSY BELIEVES THE HIGH LEVEL OF U.S. PARTICIPATION AND THE SCOPE OF SUBJECT MATTER RENDER THE SUBCABINET MEETING AN EXCELLENT VEHICLE NOT ONLY TO EXPOUND ON U.S. POLICIES AND CONCERNS, BUT TO INDUCE JAPAN TO TAKE A MORE GLOBAL APPROACH TO ITS POLICIES AND PRACTICES. IT WILL TAKE A LONG TIME TO PURGE THE PAROCHIALISM OF THE JAPANESE VIEW OF THE WORLD BUT WE BELIEVE THE MEETING CAN BUILD ON THE START MADE AT THE ECONOMIC SUMMITS.

CONFIDENTIAL

CONFIDENTIAL

PAGE 02 TOKYO 11146 01 OF 02 260303Z

3. WE URGE, THEREFORE, THAT IN THESE TALKS WE SEEM TO BE PRACTICING WHAT WE PREACH. TO SOME EXTENT IT WILL BE IMPOSSIBLE TO AVOID GOING THE IMPRESSION THAT WE ARE MOTIVATED PRINCIPALLY BY DESIRE TO RECTIFY THE BILATERAL TRADE IMBALANCE, OR RESOLVE SECTORAL PROBLEMS MAINLY THROUGH JAPANESE RESTRAINT. THE MEDIA WILL BE SURE TO FOCUS ON THESE ISSUES AND GIVE SHORT SHRIFT TO THE POLITICALLY LESS NEWSWORTHY DISCUSSIONS OF GLOBAL QUESTIONS.

WE WOULD, THEREFORE, STRONGLY URGE THAT SECTORAL PROBLEMS BE SUBMERGED IN GENERAL DISCUSSIONS OF EQUITABLE EXPORT PROMOTION MEASURES AND MARKET ACCESS. IF THERE IS TIME AT THE END, DISCUSSIONS OF SPECIFIC PRODUCTS CAN TAKE PLACE IN COUNTERPART MEETINGS BUT SHOULD NOT INTRUDE ON THE CENTRAL TALKS.

4. SIMILARLY, OUR PUBLIC STATEMENTS SHOULD BE STATESMANLIKE BUT FIRM ON THE GLOBAL RESPONSIBILITIES THAT HAVE ACCRUED TO JAPAN AS A CONSEQUENCE OF ITS ECONOMIC SUCCESS. THE PRESS WILL-IF PAST EXPERIENCE IS ANY INDICATION--BUILD UP THE CONSULTATIONS AS AN "INVASION OF FOREIGN PRESSURE" AND CALL ON THE NATION TO GIRD ITSELF FOR THE ONSLAUGHT. BY EMPHASIZING DUTY AND RESPONSIBILITY AND AVOIDING BEING DRAWN INTO STATEMENTS ON PARTICULAR SECTORAL ISSUES WE WILL NOT ONLY DEMONSTRATE OUR OWN RESPONSIBLENESS, BUT IRONICALLY WE MAY FIND THAT BY SO DOING WE WILL STRENGTHEN OUR HAND IN RESOLVING SECTORAL FRICTIONS AS WELL.

5. WE WOULD CAUTION, HOWEVER, AGAINST EXPECTING MUCH IN THE WAY OF A TANGIBLE RESPONSE FROM THE JAPANESE. A LOT WILL HINGE ON WHAT ECONOMIC INDICATORS SHOW BY MID-AUGUST. IF CONSUMER DEMAND, PUBLIC AND PRIVATE INVESTMENT APPEAR TO HAVE PICKED UP STEAM AS A RESULT OF THE STIMULATIVE MEASURES TAKEN THIS SPRING, THE PRESSURE WILL BE OFF TO PUSH THROUGH THE DIET A NEW BIG ECONOMIC STIMULATION PACKAGE. THE JAPANESE WILL BE ABLE TO POINT TO THE RECORD AS EVIDENCE THAT THEIR ECONOMIC POLICIES ARE WORKING AND PREDICT THAT IN TIME THE CURRENT ACCOUNT WILL AUTOMATICALLY

CONFIDENTIAL

CONFIDENTIAL

PAGE 03 TOKYO 11146 01 OF 02 260303Z

RECTIFY ITSELF.

6. IF ON THE OTHER HAND, INDICATORS SHOW THAT RECOVERY IS STILL STALLED, PLANNING SHOULD BE WELL UNDERWAY BEFORE SEPTEMBER MEETINGS FOR FURTHER STIMULATIVE MEASURES. (WE BELIEVE THE NECESSARY CONSENSUS IS ALREADY IN PLACE.) IN EITHER CASE, WE EXPECT THE JAPANESE WILL INSIST THAT IN ACHIEVING ABOVE AVERAGE ECONOMIC GROWTH THEY ARE MAKING AN ADEQUATE CONTRIBUTION TO WORLD ECONOMIC RECOVERY.

CONFIDENTIAL

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PAGE 01 TOKYO 11146 02 OF 02 260310Z
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C O N F I D E N T I A L SECTION 2 OF 2 TOKYO 11146

EXDIS

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7. GIVEN JAPANESE INTERMINISTERIAL COORDINATION DIFFICULTIES (AND NATURAL INCLINATION) WE WOULD EXPECT THESE JAPANESE PRESENTATIONS TO BE VERY GENERAL. WE WOULD EXPECT THE JAPANESE TO TRY TO AVOID OFFERING ANY SPECIFIC PROJECTIONS OF ECONOMIC GROWTH OR BALANCE OF PAYMENTS BEYOND THE END OF THIS CALENDAR YEAR. THEY WILL PROBABLY PLEAD INSUFFICIENT DATA, BUT UNDER PRESSURE, THEY SHOULD BE ABLE TO COME UP WITH NUMBERS THROUGH NEXT MARCH WHICH IS THE END OF THE JAPANESE FISCAL YEAR, AND TO SET OUT SOME RANGES OF POSSIBILITIES FOR CALENDAR YEAR 1978.

8. ANSWERS TO YOUR SPECIFIC QUESTIONS FOLLOW:

A. THERE HAS ALREADY BEEN AMPLE PRIOR PUBLICITY UP TO THIS POINT WITH FREQUENT REFERENCES FROM ALL LEVELS OF JAPANESE GOVERNMENT INCLUDING THE PRIME MINISTER. TALKS ARE OBVIOUSLY LOOKED UPON BY PRIME MINISTER'S OFFICE, FOREIGN MINISTRY AND MOST OF MITI AS OPPORTUNITY TO MOVE RECALCITRANT MINISTRIES, ESPECIALLY AGRICULTURE, THAT ARE UNWILLING TO CONTEMPLATE CONCESSIONS. WE THINK WE SHOULD CONTINUE TO STRESS IN WEEKS BEFORE MEETINGS THAT WE ARE TAKING THE HIGH ROAD AND DISCUSSING GLOBAL ISSUES AS BEFITS FREE WORLDS' NUMBERS ONE AND TWO ECONOMIC POWERS.

B. AS TO WHETHER OR NOT TO EXCHANGE PAPERS, SECOND NORTH AMERICA
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 TOKYO 11146 02 OF 02 260310Z

DIVISION DIRECTOR FUKUDA HAS TOLD US HE DOES NOT THINK THEY ARE WORTH THE TIME AND EFFORT NECESSARY TO CLEAR THEM THROUGH THE GOJ BUREAUCRACY. HE HAS NO OBJECTION, HOWEVER, TO OUR SUBMITTING PAPERS IN ADVANCE. EMBASSY SEES CONSIDERABLE ADVANTAGE TO OUR GIVING JAPANESE A FAIRLY COMPLETE OUTLINE OF SUBJECTS WE INTEND TO RAISE.

C. AS INDICATED ABOVE, WE ARE UNLIKELY TO SUCCEED IN GETTING JAPANESE TO SET VERY SPECIFIC SET OF BALANCE OF PAYMENTS AND TRADE TARGETS BUT WE SHOULD CONTINUE TO PRESS FOR AS MUCH SPECIFICITY AS POSSIBLE.

D. WE HAVE NOT BEEN ABLE TO COME UP WITH ANY VERY DETAILED SPECIFIC ACTIONS TO PRESS JAPANESE ON. THERE IS A QUITE POSITIVE MOOD DEVELOPING HERE TO PORTRAY JAPAN AS AN OPEN MARKET (SEE 25-PAGE SPECIAL ADVERTISEMENT IN JULY 11 BUSINESS WEEK). WE SHOULD CONTINUE GENERAL PRESSURE TO KEEP THIS MOMENTUM ROLLING BY CONFINING OURSELVES TO ILLUSTRATIONS OF AREAS WHERE JAPANESE MARKET APPEARS TO U.S. EXPORTERS TO BE CLOSED. IN OTHER WORDS, WE SHOULD TRY TO PUT PRINCIPAL RESPONSIBILITY ON JAPANESE TO DEVELOP NEW DEVICES THAT WOULD RESPOND TO CHARGES LIKE THE FOLLOWING: CUSTOMS PROCEDURES OVERLY BUREAUCRATIC, TRADING COMPANY NOT ABLE OR WILLING TO MARKET FOREIGN INDUSTRIAL PRODUCTS AGGRESSIVELY, GENERAL DISTRIBUTION SYSTEM IS ARCHAIC AND DIFFICULT FOR FOREIGNERS TO PENETRATE, AGRICULTURAL QUOTAS STILL UNJUSTIFIABLY MAINTAINED, ETC.

E. FOLLOW UP SHOULD BE LEFT OPEN UNTIL WE SEE HOW TALKS GO IN SEPTEMBER. THERE IS STILL SOME RESIDUAL CONFUSION ABOUT WHETHER U.S. ENVISIONS RECONSTITUTION OF ECONCOMM CABINET-LEVEL MEETINGS. THIS SHOULD BE CLARIFIED AT EARLY STAGE. FOLLOW-UP MEETINGS SHOULD BE TIMED SO THAT JAPANESE WILL HAVE A REASONABLE PERIOD IN WHICH TO DEMONSTRATE EFFECTIVENESS OF MEASURES THEY MAY UNDERTAKE TO

CONFIDENTIAL

CONFIDENTIAL

PAGE 03 TOKYO 11146 02 OF 02 260310Z

CARRY OUT DURING SEPTEMBER MEETING.

9. IN ALL OF THIS WE HAVE TO WALK THE DELICATE LINE BETWEEN PRESENTING UNREASONABLE DEMANDS WHICH STRENGTHEN THOSE FORCES IN JAPAN WHO CAN PLAY UPON RESENTMENT AT FOREIGN INFLUENCE AND GENTLE PRESSURES WHICH WILL HELP THOSE WITHIN GOJ WHO SEE WHAT MEASURES NEED TO BE TAKEN AND ARE PRIVATELY GRATEFUL TO HAVE ADDITIONAL ARGUMENT THAT MEASURES ARE NECESSARY TO AVOID U.S. RETALIATION. AS DEPARTMENT WILL HAVE DETECTED FROM TOKYO 10916, JAPANESE EDITING OF OUR PROPOSED AGENDA ITEMS IS INTENDED TO DEFUSE OBJECTION OF THOSE WHO WILL BE TEMPTED TO CRY "FOREIGN INTERVENTION."

MANSFIELD

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